To: California Air Resources Board
From: Dorothy Rothrock, VP Gov't Relations
California Manufacturers & Technology Association
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Comments on Voluntary Early Action Draft Policy

These comments are submitted by the CMTA and also reflect the concerns of the AB 32 Implementation Group, a broad coalition promoting successful implementation of AB 32 and other climate change policies in California.

AB 32 states that CARB shall ensure that entities making voluntary reductions prior to implementation receive appropriate credit for those reductions. Yet, we are aware that some companies are concerned that reductions in the future may be worth more (to create market credits or to comply with mandatory regulations) than the same actions taken in advance of regulations or markets. One purpose for adopting a CARB policy statement at this time is to reinforce that there is no reason to delay voluntary reductions – that such early actions will, in fact, be recognized on the same basis as if they were to be taken post-implementation.

Governor Schwarzenegger encouraged early reductions when he issued his Executive Order setting GHG emission reduction targets on June 1, 2005. He said: "I am also recruiting businesses up and down the state to reduce their greenhouse gas emissions because it makes sense for our environment and our economy. Pollution reduction has long been proven to be a money-saver for businesses. It lowers operating costs raises profits and creates new and expanded markets for environmental technology. I am very happy that in nearby Silicon Valley dozens of companies have committed to reducing their emissions even faster than the statewide goals."

Businesses that heeded the Governor's call to voluntary early emission reductions must be assured that their efforts will be recognized and their reductions fully credited, as mandated by AB32, as CARB moves forward with implementing regulations.

Comments on the draft policy:

We appreciate this effort to provide assurances that making voluntary early reductions makes sense for companies. However, we are concerned that the draft policy statement adds unnecessary confusion about the meaning of AB 32 provisions on this topic and the treatment of early reductions in the past and between now and the implementation of regulations. The following are specific comments:

- Second Paragraph: There is no justification to impose an equal percentage reduction requirement on companies that have different histories for energy efficiency improvements, emission reductions, etc. This is acknowledged in the draft, but the statement that this will not occur is qualified with the phrase "to the extent possible." We see no reason for the qualifier – it just adds uncertainty where the purpose is to achieve some clarity.

- Third Paragraph: The Board directs staff to comply with the terms of AB 32 in recognizing voluntary early actions, yet the phrase “to the extent feasible” is added to the statement. It undermines the Board’s intention to create more certainty for companies about the value of emission reductions prior to full implementation. Also, AB 32 states voluntary early actions “shall” be recognized and credit should be provided “to the extent feasible.” The mandate is clear, only the method of implementation is subject to feasibility.

- Last bullet: This statement suggests that CARB may <u>not</u> allow voluntary early reductions to qualify for “credits or offsets”, but if they do, the draft provides what the criteria would be. This statement should be deleted. First, it suggests that whether credit is given for voluntary early reduction treatment is up for grabs – this may violate AB 32. It also suggests that voluntary early reductions might be held to a higher, or different, standard than later reductions. It also ignores the more likely event that voluntary early actions could satisfy regulatory mandates. Since the draft does not provide criteria for regulatory recognition of voluntary early reductions, the draft leaves the more stringent market credit criteria as the default requirement.

An alternative third bullet could provide that all voluntary early reductions will be fully credited by CARB if such reductions meet criteria required for market credit when the market is developed, or if they meet criteria for regulatory compliance when regulations are adopted. This would satisfy the provisions of AB 32 that encourage voluntary early reductions.

Thank you for considering these comments.